



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Jorge Gomez, Commissioner

Wisconsin.gov

December 29, 2004

Local Government Property Insurance Fund

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Madison, Wisconsin 53707-7873
Phone: (608) 264-6226 • Fax: (608) 264-6220
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Dear Policyholder:

The Local Government Property Insurance Fund makes every effort to provide its policyholders with excellent coverage at the lowest possible cost. In the past we have included coverage for terrorist acts while other commercial property carriers may have excluded coverage, or charged an additional premium for limited coverage. Fund management, however, feels it is in the Fund's best financial interest to conditionally limit coverage effective December 31, 2005, for terrorist acts, as noted in the enclosed notice and endorsement. This action is consistent with how the insurance industry is handling similar situations.

The Fund is already actively negotiating with the market on the Fund's excess of loss program renewal, which will expire March 31, 2005. However, uncertainty over what the federal government will do relative to extending coverage for the Terrorism Risk Insurance Act of 2002 (TRIA) is making it difficult to negotiate continuation of broad Fund terrorism coverage. Without specific federal action, TRIA will sunset on December 31, 2005 and the enclosed endorsement reflects that change.

The Fund's intent is to coordinate its policy coverage with coverage that can be readily obtained from the excess of loss market. Thus, if the Fund is successful in obtaining an excess of loss program for all Fund policies which offers broader terrorism coverage terms than are contained in the enclosed endorsement, the Fund intends to add that additional coverage back into its policy.

We appreciate your continued support of the LGPIF and will continue to try to structure the Fund's policy to offer the best coverage at the lowest possible cost without putting the Fund at unnecessary risk.

If you have any questions about the attached notice or endorsement please contact Mr. Lowell Carter, at 608-821-1189, email him at low2375@asugroup.com or write him c/o ASU Group, 7633 Ganser Way, Ste 206, Madison, Wi., 53719-2092.

Sincerely,

Danford C. Bubolz

Danford C. Bubolz
Insurance Program Officer
Local Government Property Insurance Fund

NOTICE TO POLICYHOLDERS

RESTRICTIONS OF TERRORISM COVERAGE

We are sending you this notice because there is a change coming in the coverage of terrorism under your policy. Endorsement [OCI 41-918 \(C12/2004\)](#) will be attached to your policy.

The Terrorism Risk Insurance Act of 2002 (TRIA) established a federal program under which the government shares with the insurance industry the risk of loss from future foreign terrorist attack. Your policy will become effective (or will be renewed) while TRIA is still in effect. TRIA, however, is scheduled to terminate at the end of December 31, 2005. If TRIA is not extended, or extended with changes and we are not required to offer coverage for foreign acts, all losses due to any terrorist act will be limited to that coverage provided under "Other Acts of Terrorism."

We are also reducing coverage upon your next renewal for domestic (other) acts of terrorism occurring after December 31, 2005. (See the definition of "Other Act of Terrorism" in the attached endorsement.) In the past domestic terrorist acts were covered by the Fund. Domestic acts now will only be covered if the total of all insured losses resulting from a terrorist act are less than \$25,000,000. However, fire losses resulting from a terrorist act will be covered according to policy provisions.

This notice does not form a part of your insurance contract. If there is any conflict between your policy (including endorsement OCI 41-918) and this notice, the provisions of the policy (including endorsement OCI 41-918) apply.

Local Government Property Insurance Fund
7633 Ganser Way, Ste. 206
Madison, WI 53719
Toll-free 1-877-229-0009 ext. 8

[OCI 41-917 \(C12/2004\)](#)

LIMITED AND CONDITIONAL TERRORISM EXCLUSION

This endorsement modifies the insurance provided under your policy. This conditional endorsement is necessary because the Terrorism Risk Insurance Act of 2002 is scheduled to terminate at the end of December 31, 2005 unless renewed, extended or otherwise continued by the federal government.

Section X – Definitions

The following definitions are added to Section X.

1. "Certified Act of Terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The criteria contained in that Act for a "Certified Act of Terrorism" include the following:
 - a. The act resulted in aggregate losses in excess of \$5 million; and
 - b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
2. "Other Act of Terrorism" means a violent act or an act that is dangerous to human life, property or infrastructure:
 - a. That is committed by an individual or individuals and appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion; and
 - b. That is not certified as a terrorist act pursuant to the federal Terrorism Risk Insurance Act of 2002. However, "Other Act of Terrorism" includes an act which meets the criteria set forth in Paragraph 1., b., of the definition of "Certified Act of Terrorism" when such act resulted in aggregate losses of \$5 million or less.

Section VII – Losses Excluded

The following exclusion is added:

I. Exclusion of an "Other Act of Terrorism"

We will not pay for loss or damage caused directly or indirectly by an "Other Act of Terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But this exclusion applies only when one or more of the following are attributed to such act;

1. The terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
2. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials; or
3. The total of insured damage to all types of property in the United States, its territories and possessions, Puerto Rico and Canada, in any one incident, exceeds \$25,000,000. In determining whether the \$25,000,000 threshold is exceeded we will include all insured damage sustained by property of all persons and entities affected by the terrorism and business interruption losses sustained by owners or occupants of the damaged property. For the purpose of this provision, insured damage means damage that is covered by any insurance plus damage that would be covered by any insurance but for the application of any terrorism exclusions. Multiple incidents of "Other Acts of Terrorism" which occur within a 72-hour period and appear to be carried out in concert or to have a related purpose or common leadership will

be deemed to be one incident.

With respect to this item 3., the immediately preceding paragraph describes the threshold used to measure the magnitude of an "Other Act of Terrorism" incident and the circumstances in which the threshold will apply, for the purpose of determining whether this Exclusion will apply to that incident. When the Exclusion applies to an "Other Act of Terrorism" incident, there is no coverage under this policy.

Exception Covering Certain Fire Losses

If any act of terrorism results in fire, we will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property. This fire exception does not apply to any other insurance provided under this policy including, but not limited to, any insurance provided under this policy for Business Income, Rental Value, Extra Expense, Leasehold Interest or Legal Liability coverage.

In the event of loss or damage under this exception for fire, the value of the lost or damaged Covered Property will be determined according to policy provisions.

Cap on Certified Terrorism Losses

With respect to any one or more "Certified Acts of Terrorism" under the federal Terrorism Risk Insurance Act of 2002, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for terrorism losses.

Application of Other Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

Conditional Exclusion

If the Terrorism Risk Insurance Act of 2002 expires or is extended with modifications which adversely affect the insurer's coverage retention required under the expiring act, coverage shall be extended according to Section VII., I., Exclusion of an Other Act of Terrorism.